

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO.
ELECTRIC AND GAS RATES AND FOR CERTIFICATES) 2016-00371
OF PUBLIC CONVENIENCE AND NECESSITY)

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

Louisville/Jefferson County Metro Government ("Louisville Metro"), pursuant to 807 KAR 5:001, is to file with the Commission an original and six copies in paper medium and an electronic version of the following information. The information requested herein is due no later than March 31, 2017. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Louisville Metro shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Louisville Metro fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Louisville Metro shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Direct Testimony of Louisville City Councilman Bill Hollander (“Hollander Testimony”), page 4, and the Direct Testimony of Louisville City Councilman Kevin Kramer (“Kramer Testimony”), page 3.

a. Clarify whether Louisville Metro has the same concern regarding the increase to the gas residential fixed charge as it does with the electric residential fixed charge.

b. State whether Louisville Metro recommends that all of any electric and gas revenue increases allocated to the residential class be recovered through the

energy charges, or that some portion of revenue increases could be recovered through the fixed charges.

2. Refer to the Direct Testimony of Jeffry Pollock (“Pollock Testimony”), page 11, lines 9 and 10, which state, “Further, if properly implemented, it would not violate generally accepted accounting principles.” Explain what the proper implementation of the amortization of the surplus depreciation entails.

3. Refer to the Pollock Testimony, Exhibit JP-1. Explain the basis of the theoretical reserve listed in the exhibit and provide its source.

4. Refer to the Pollock Testimony, Exhibit JP-9, page 2, Exhibit JP-11, Exhibit JP-13, and Exhibit JP-15. Confirm that Louisville Metro is recommending a shift in revenue allocation from non-residential classes to the residential class, resulting in: 1) a recommended electric residential increase of \$56.340 million, or 61.4 percent of Louisville Gas and Electric Company’s (“LG&E”) proposed \$91.720 million increase, as compared to the proposed increase in LG&E’s application of \$42.132 million, or 46 percent of the proposed increase in electric revenues; and 2) a recommended gas residential increase of \$13.97 million, or 100 percent of LG&E’s proposed \$13.97 increase, as compared to the proposed increase in LG&E’s application of \$10.631 million, or 76 percent of the proposed increase in gas revenues.

5. Refer to the Direct Testimony of Kentucky Industrial Utility Customers, Inc.’s (“KIUC”) witness Lane Kollen (“Kollen Testimony”), beginning at page 27, regarding depreciation expense related to projected net terminal salvage value for generation assets.

a. What position does Louisville Metro have with respect to the Kollen Testimony which requires the projected terminal net salvage value be removed from generation asset depreciation rates and expense?

b. State whether Louisville Metro is of the opinion that, should the Commission deny Mr. Kollen's proposal to remove the terminal net salvage value from generation asset depreciation rates and expense, it would create an intergenerational inequity with respect to the recovery of depreciation expense on generation assets.

c. Explain how Louisville Metro would reconcile its position on surplus depreciation with Mr. Kollen's proposal to remove projected terminal net salvage value from generation asset depreciation rates and expense if both proposals were approved by the Commission.

6. Given the Hollander and Kramer Testimonies and the Pollock Testimony referenced above:

a. Provide Louisville Metro's recommended electric and gas residential fixed charges and energy charges, assuming the \$91.720 million electric and the \$13.97 million gas revenue increase proposed in LG&E's application.

b. Provide Louisville Metro's recommended electric and gas residential fixed charges and energy charges, assuming 50 percent of the electric and gas revenue increases proposed by LG&E.

7. Refer to the Direct Testimony of J. Randall Woolridge, Ph.D. ("Woolridge Testimony"), page 25, lines 6–10. Explain why Dr. Woolridge develops three proxy groups instead of just one proxy group consisting of utilities that offer both gas and electric.

8. Refer to the Woolridge Testimony, Exhibit JRW-4, page 1 of 3.

a. Refer to Panel A, Electric Proxy Group, and Panel B, McKenzie Proxy Group. Explain why the AG's proposed return on equity ("ROE") of 8.75 percent for LG&E electric utility operations is representative of investors' expectations, given that the average earned ROE for electric utilities is 9.5 percent and for combination electric and gas utilities, as shown in Panel B, is 9.8 percent.

b. Refer to Panel C, Gas Proxy Group. Explain why the AG's proposed ROE of 8.7 percent for LG&E gas utility operations is representative of investors' expectations, given that the average earned ROE for gas utilities is 9.2 percent.

9. Refer to the Woolridge Testimony, page 46, line 16, through page 47, line 16, which discusses that it is common for analysts to adjust the dividend yield by some fraction of the long-term expected growth rate, and states that the growth rate is adjusted by one-half. Explain why one-half was chosen.

10. Refer to the Woolridge Testimony, Exhibit JRW-10.

a. Refer to page 2 of 6.

(1) Provide a copy of the source documents for the annual dividends and 30, 90, and 180-day dividend yields.

(2) If any of the above is calculated, provide the calculations.

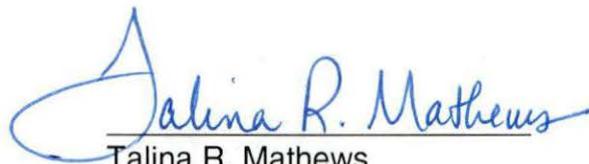
b. Refer to pages 3–5 of 6.

(1) Explain why negative growth rates were included in the calculation of mean values.

(2) Explain why the median values produce more meaningful estimates than mean values.

(3) Explain why averaging median values produces meaningful estimates.

11. Provide the most recently authorized ROE awards for Louisville Metro's proxy groups, and the dates they were awarded



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DATED MAR 17 2017

cc: Parties of Record

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